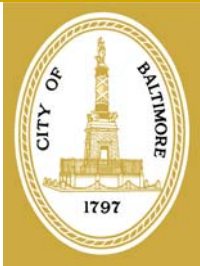

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA
City Auditor

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August 15, 2001

Honorable Joan M. Pratt, Comptroller
And Other Members of the Board of Estimates
City of Baltimore

We previously conducted an audit of the procedures for payroll, cash disbursements, cash collections, and grant compliance of the Sheriff's Office of Baltimore City (SOOBC). The objective of our audit was to determine whether adequate policies and procedures were in place for these systems and to recommend improvements where needed. The results of our audit were presented in our audit report dated October 30, 2000 on the Sheriff's Office of Baltimore City - Procedures for Payroll, Cash Disbursements, Cash Collections, and Grant Compliance.

On May 1, 2001, the SOOBC presented to the Board of Estimates an implementation plan that would resolve ten of the fourteen findings addressed in our audit report. The remaining four finding were considered by the SOOBC to contain issues that could not be controlled, but that they would continue to work towards complying with all audit recommendations to the fullest extent possible.

The purpose of our follow-up review was to determine whether the SOOBC has adequately addressed the audit finding issues and related recommendations in our audit report. Our follow-up review disclosed that the SOOBC has made substantial progress in addressing our outstanding audit report issues. Of the fourteen findings issued in our report, ten have been adequately addressed to resolve the findings, two are in the process of being resolved by December 31, 2001, and two are waiting on the actions of other agencies to assist in their resolution. The SOOBC still needs to request a waiver from the applicable State policies requiring automobile expense reimbursements to be based on actual monthly mileage from their representative in the State's Attorney General's Office.

This report includes a restatement of the audit findings and recommendations contained in our audit report and the results of our follow-up review. The response of the Sheriff's Office of Baltimore City to our follow-up review is also included in this report.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

Follow-up Results

Finding #1

There were no written policies and procedures to address the hiring of employees and the maintenance of employee time and attendance records and employee leave records.

We recommended that the Sheriff's Office of Baltimore City (SOOBC) establish written policies and procedures to address the hiring of employees and the maintenance of employee time and attendance records and employee leave records. We also recommended that the SOOBC obtain, and maintain on a current basis, the State Department of Budget and Management, Office of Human Resources' *Guidelines for Recruitment and Selection*, Positions in the Skilled and Professional Services.

Follow-up Results

The SOOBC has adequately addressed this audit finding. Written policies have been established by the SOOBC to address the hiring of employees (Guidelines and Procedures for Hiring Personnel) and the maintenance of employee time and attendance records and employee leave records (S.O.P. Payroll/Leave). Additionally, the SOOBC has obtained the State Department of Budget and Management, Office of Human Resources' *Guidelines for Recruitment and Selection*, Positions in the Skilled and Professional Services.

Finding #2

A uniform, positive time-keeping system to document the City's Payroll Attendance Report was not maintained.

We recommended that the SOOBC establish and maintain a uniform, positive time-keeping system for all SOOBC Divisions and that the City's Payroll Attendance Report be prepared utilizing the positive time-keeping records.

Follow-up Results

The SOOBC has adequately addressed this audit finding. We have concluded, based on our testing of the SOOBC's payroll system, that a uniform, positive time-keeping system is in place for all Divisions and that the City's Payroll Attendance Report is now prepared utilizing these positive time-keeping records.

Finding #3

Physical controls were not in place to provide reasonable assurance that Payroll Attendance Reports were safeguarded from alteration between the time they were authorized and the time they were delivered to the Central Payroll Division.

We recommended that the certified Payroll Attendance Reports be placed immediately into tamper-resistant envelopes for delivery to the City's Central Payroll Division.

Follow-up Results

The SOOBC has adequately addressed this audit finding. The SOOBC has established the use of tamper-resistant envelopes for delivery of the certified Payroll Attendance Reports to the City's Central Payroll Division.

Finding #4

Review and approval procedures were insufficient to ensure that Payroll Attendance Reports and payroll Cut-off Tickets were prepared accurately. Leave request forms, to document supervisory approval of leave time used, were either not submitted by employees or missing from the payroll records.

We recommended that greater care be taken in the preparation of Payroll Attendance Reports and payroll Cut-off Tickets. We also recommended that the review and approval procedures be strengthened to ensure the accurate preparation of Payroll Attendance Reports and payroll Cut-off Tickets. To further ensure that leave records are maintained accurately, we recommended that the employee leave records should be modified to provide for signatures of the payroll officer, the manager, and the employee to evidence their review and concurrence. We recommended that the SOOBC require all employees to submit leave request forms for their supervisor's approval when using leave. Approved leave request forms were recommended to be maintained with payroll records in accordance with the City's record retention requirements. Lastly, we recommended that the SOOBC require its employees to comply with the Annotated Code of Maryland, State Personnel and Pensions Section 9-504 when using five or more consecutive days of sick leave.

Follow-up Results

The SOOBC has adequately addressed this audit finding. We have concluded, based on our testing of the SOOBC's payroll system, that procedures for the preparation, review and approval of Payroll Attendance Reports and Cut-off Tickets have been strengthened, that leave request forms are being submitted by employees to their supervisor for approval and these leave forms are properly maintained, and that employees are now complying with the Annotated Code of Maryland, State Personnel and Pensions Section 9-504 when using five or more consecutive days of sick leave. The employee leave records have been modified to provide for signatures of the payroll officer, a supervisor, and the employee to evidence their review and concurrence, effective July 1, 2001.

Finding #5

The current system of manual employee leave records was tedious and prone to error and has resulted in violations of State and City requirements.

We recommended that the SOOBC obtain, and maintain on a current basis, the Code of Maryland Regulations (COMAR), Title 17, Department of Budget and Management, and the Annotated Code of Maryland, State Personnel and Pensions, Titles 1 through 15. We also recommended that the SOOBC obtain the necessary training from the State of Maryland Personnel and Pension staff to fully understand and follow these regulations. In addition, we recommended that supervisory approval be required for all compensatory time earned and that records for all compensatory time be independently maintained by the payroll officer. As a result of the significant number of errors found in our test of the employee leave records, we recommended that the SOOBC review all leave records to verify their accuracy. Finally, we recommended that the SOOBC explore computer software options through the City's Bureau of Information and Technology Services to automate the leave record keeping process.

Follow-up Results

The SOOBC has adequately addressed this audit finding. The SOOBC's system of manual employee leave records have been improved by establishing written policies and procedures, obtaining pertinent regulations, strengthening procedures for preparing, reviewing and approving payroll records, and providing training and management support to the payroll officer. The SOOBC has obtained the Code of Maryland Regulations (COMAR), Title 17, Department of Budget and Management, and the Annotated Code of Maryland, State Personnel and Pensions, Titles 1 through 15. The SOOBC, due to staffing constraints, has chosen to contact the State of Maryland Personnel and Pension staff as needed rather than requesting a training session. We have concluded, based on our testing of the SOOBC's payroll system, that procedures are in place for supervisory approval for all compensatory time earned and that records for all compensatory time are now maintained by the payroll officer. The SOOBC has reviewed all employee leave records for calendar year 2000 to verify their accuracy as part of the year-end reconciliation process. Finally, the SOOBC has determined that the manual payroll system now in place is satisfactory and will maintain this system until the City's Bureau of Information and Technology Services can address its specific payroll needs.

Finding #6

There were no written policies and procedures to document the cash disbursement processes.

We recommended that the SOOBC establish and maintain written policies and procedures to document its cash disbursement processes.

Follow-up Results

The SOOBC has adequately addressed this audit finding. Written policies and procedures have been established by the SOOBC to document its cash disbursement processes (Standard Operating Procedures for the Fiscal Accounting Department).

Finding #7

Employee clothing and automobile allowances were not included in employees' annual earnings statements.

We recommended that the SOOBC establish procedures with the City of Baltimore's Central Payroll Division to report allowances paid to employees in their annual earnings statements.

Follow-up Results

The SOOBC is in the process of establishing procedures to report employee clothing and automobile allowances paid in their annual earnings with the City of Baltimore's Bureau of Accounting and Payroll Services. It is anticipated that the process will be completed for calendar year 2001.

Finding #8

The SOOBC did not comply with City and State mileage reimbursement requirements.

We recommended that the SOOBC immediately discontinue its monthly automobile allowance for its employees and follow applicable City and State policies requiring automobile expense reimbursements to be based on actual monthly mileage.

Follow-up Results

The SOOBC continues to use a monthly automobile allowance for its employees. A request has been submitted by the SOOBC to the Mayor's Office to waive compliance with the applicable City policies requiring automobile expense reimbursements to be based on actual monthly mileage. Additionally, the SOOBC plans to request a waiver from the applicable State policies requiring automobile expense reimbursements to be based on actual monthly mileage.

Finding #9

There were no written policies and procedures to document the cash collection process.

We recommended that the SOOBC establish and maintain written policies and procedures to document its cash collection processes.

Follow-up Results

The SOOBC has adequately addressed this audit finding. Written policies and procedures have been established by the SOOBC to document its cash collection processes (Standard Operating Procedures for the Fiscal Accounting Department).

Finding #10

Cash collection responsibilities were not adequately segregated among employees in the fiscal office.

We recommended that the SOOBC separate, to the fullest extent possible, the fiscal office staff's duties involving the handling of cash and its recordation.

Follow-up Results

The SOOBC does not have sufficient staffing to allow for the adequate segregation of duties involving the handling of cash and its recordation in its fiscal office. However, the SOOBC is in the process of instituting the participation of a manager in the following key functions for additional controls: (1) reviewing the daily cash register reconciliation, (2) reviewing and approving all requests for disbursements, and (3) performing analytical reviews of receipts and disbursements. It is anticipated that the process will be in place beginning September 1, 2001.

Finding #11

Checking accounts were not reconciled, disbursements from these accounts were not made timely, and all bank statements and cancelled checks were not retained.

We recommended that the SOOBC perform monthly bank reconciliations of its two checking accounts, retain all bank statements and cancelled checks, and promptly remit collections to the City and other recipients. Additionally, as in our prior audit report, we recommended that these responsibilities be transferred to the City's Collection Division.

As stated in our audit report, our findings addressing the lack of checking account reconciliations, timely disbursements from checking accounts, and the retention of bank statements and cancelled checks were resolved effective July 1, 2000 when these responsibilities were transferred to the City's Collection Division.

Finding #12

The system for the monitoring of overdue fines to initiate the issuance of warrants was not automated.

We recommended that the SOOBC request that the City's Bureau of Information Technology Services perform a program modification of its computerized system to incorporate reliable tracking of fine payments to initiate the issuance of warrants for delinquent accounts.

Follow-up Results

The SOOBC has adequately addressed this audit finding. The SOOBC has provided documentation to justify that the manual system in place to track fine payments to initiate the issuance of warrants for delinquent accounts is reliable and is necessitated due to the circumstances of each case that may be set by the Court.

Finding #13

There were no written policies and procedures to document the grant reporting process.

We recommended that the SOOBC establish and maintain written policies and procedures to document its grant reporting process.

Follow-up Results

The SOOBC has adequately addressed this audit finding. Written policies have been established by the SOOBC to address its grant reporting process (S.O.P. Grant Process).


Finding #14

The SOOBC underreported 38 served orders totaling \$1,140 and overreported overtime costs of \$12,649. Posted orders were reported without a determination of allowability from the State.

We recommended that the SOOBC obtain a determination from the Maryland Department of Human Resources, Child Enforcement Administration of amounts due to/from the SOOBC based on our reported findings for the quarter ended June 30, 1999.

Follow-up Results

The SOOBC has provided documentation that the overreported overtime costs of \$12,649 has been resolved, and it is in the process of resolving the remaining portions of this finding with the Maryland Department of Human Resources, Child Enforcement Administration.

FROM	NAME & TITLE	John W. Anderson, Sheriff	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Baltimore City Sheriff's Office 100 N. Calvert St., Rm. 114		
	SUBJECT	Response to Performance Audit Follow-up Report		

TO

Ms. Yovonda D. Brooks, CPA
City Auditor
100 N. Holliday St.

DATE:
08-14-01

I am writing in response to the Audit Follow-up Report.

As to Finding #1, we agree with the stated results.

As to Finding #2, we agree with the stated results.

As to Finding #3, we agree with the stated results.

As to Finding #4, we agree with the stated results.

As to Finding #5, we agree with the stated results.

As to Finding #6, we agree with the stated results.

As to Finding #7, the recommendation as to the reporting of automobile allowances has been adopted and implemented. These allowances are now being paid by checks issued from the Central Payroll Division and all such allowances will be reported in the annual earnings statements.

Clothing allowances are due to be paid in December and efforts have been made to have Central Payroll Division implement a similar procedure for paying and reporting these allowances.

As to Finding #8, while this agency is not in compliance with the recommendations made by the Audit Department, we have requested a waiver from the Mayor's Office regarding this issue. The request has been assigned to a Deputy Mayor for resolution. This agency is awaiting further action from the Mayor's Office relative to this issue.

As to Finding #9, we agree with the stated results.

As to Finding #10, while this agency does not have adequate staffing for implementation of the recommended segregation of duties, in order to establish greater controls, as of September 1, 2001 a manager will be:

(1) reviewing the daily cash register reconciliation;

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PAGE #2

- (2) reviewing and approving all requests for disbursements; and
- (3) performing analytical reviews of receipts and disbursements.

As to Finding #11, there has been a resolution of this finding, as a result of responsibilities having been transferred to the City's Collection Division beginning on July 1, 2000.

As to Finding #12, we agree with the stated results

As to Finding #13, we agree with the stated results.

As to Finding #14, resolution has been made of the issue concerning over-reported overtime costs. This agency is awaiting an opinion from the Assistant Attorney General representing the Maryland Department of Human Resources, Child Enforcement Administration relative to the propriety of posting civil process.

The Baltimore City Sheriff's Office would again like to acknowledge the thoroughness and care with which the City Auditor's Staff conducted this audit follow-up. The courtesy and professionalism displayed by Mr. Robert McCarty and Ms. Diane Puntanen helped to make this difficult undertaking as pleasant as possible and an invaluable learning process for many of this agency's key personnel.